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REDEMPTION OF SILVER DOLLARS,
AND
COINAGE OF SILVER DOLLARS.

SPEECH

OF

HON. JOHN SHERMAN,
OF OHIO,

IN THE

SENATE OF THE UNITED STATES,

THURSDAY, FEBRUARY 26, 1885.

WASHINGTON.
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OFFICE OF THE SECRETARY

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S P E E C H
OF
H O N . J O H N S H E R M A N .

The Senate, as in Committee of the Whole, having under consideration the bill (H. R. 4976) for the retirement and recoinage of the trade-dollar—

Mr. SHERMAN said:

Mr. PRESIDENT: It has been so long since this bill was before the Senate for consideration that no doubt the Senate have lost much of their interest in it. The feeling has prevailed that it would be ineffective to press upon the attention of the Senate the important questions involved in the silver coinage of the United States. Still if the Senator from Vermont thinks it is possible to pass any bill upon the subject at this session, I desire to submit some remarks, but I do not wish to do so merely for the sake of making a speech. My views upon this question are pretty well understood, and I certainly have no desire to agitate the question unless it is the intention of the Senate to vote upon the bill.

This is a House bill, which has been amended and greatly improved by the Senate Finance Committee, and as it now stands I should be willing to support the bill in the amended form. It presents only two questions, both of which are important from the amount involved and also from the principles involved.

The first question is whether the trade-dollars should be redeemed at their par in gold. The second is whether the coinage of the standard silver dollar should be discontinued in August, 1886. Upon these two questions only do I wish to make my observations. On account of the lapse of time that has occurred I propose, in order to condense my remarks, to confine myself mainly to what I have written, although I shall be very willing at any time as I proceed to answer any question that may arise in the progress of my remarks.

The House bill as it came to us is based upon the assumption that the United States is under a moral obligation to receive and redeem without exception or limitation all the trade-dollars issued under the coinage act of February 12, 1873.

I am convinced that no such obligation exists on the part of the United States; that the trade-dollar was coined for dealers in silver bullion at their expense, for their benefit, to enable them to secure a better market for their bullion by putting it in convenient form for exportation; that the only obligation assumed by the United States was to guarantee that each dollar issued contained 420 grains of standard silver; that the limited legal-tender quality given to these coins was repealed before they were in circulation in the United States, and that, with few exceptions, those now in the hands of the people were coined after they ceased to be a legal tender, and when they were what their name denotes, silver

bullion in convenient form, for which the United States was no more liable than for the silver bars issued from the mints and assay-offices of the United States, and that these dollars in the hands of the holders should be taken only at their market bullion value, or be exported according to the object of their origin.

Mr. MITCHELL. Will the Senator at that point allow me to ask him a question?

Mr. SHERMAN. Yes; if it will not tend to prolong my remarks.

Mr. MITCHELL. The Senator states that these coins were not in circulation in the United States prior to the passage of the joint resolution of 1876. Is it not a fact that they were in circulation before that time, at the close of the year 1875, on the Pacific coast, and that the Senator, while he was Secretary of the Treasury, so stated in a letter which was communicated to the public?

Mr. SHERMAN. Undoubtedly they were in circulation to a limited extent, but to a very limited extent, indeed; and I shall show hereafter the reason why they were not in circulation.

As the various petitions to Congress asking for the redemption of the trade-dollar at its nominal par in gold indicate a strong and no doubt sincere opinion that the United States is bound in honor to so redeem these coins, and some of these petitions charge the Government with fraud and repudiation for its neglect to do so, I deem it proper to more fully state the grounds of my opinion that neither honor nor public policy require or would justify Congress in giving to silver bullion in the form of trade-dollars any preference, advantage, or value over other forms of silver bullion daily purchased at its market value.

The coinage of this dollar was authorized by the coinage act of February 12, 1873, in words as follows:

That any owner of silver bullion may deposit the same at any mint to be formed into bars or into dollars of the weight of four hundred and twenty grains troy, designated in this act as trade-dollars * * * and the charges for converting standard silver into trade-dollars, * * * shall be fixed from time to time by the Director [of the Mint], with the concurrence of the Secretary of the Treasury, so as to equal, but not exceed, in their judgment, the actual average cost to each mint and assay-office of the material, labor, wastage, and use of machinery employed in each of the cases aforementioned.

As its name indicates, the purpose of this coin was for trade, not for circulation, though by classifying it with other silver coins the law made it a legal tender to the amount of \$5 in any one payment.

At the time of the passage of the act the actual value of this dollar, including the charge of $1\frac{1}{4}$ cents for coinage, was a little more than \$1.04 in gold, or \$1.18 in United States notes.

Under such circumstances there could be no object for the owner to put the coins into circulation, and consequently they were exported mostly to China, where, from lack of a circulating medium, these pieces, convenient in size, and bearing the guarantee of a great Government as to their weight and fineness, obtained an extensive circulation, and created a market for the silver of the Pacific States, as intended by the act.

After a few months, however, an unforeseen depreciation in the value of silver bullion occurred, and in the early part of 1876 this depreciation reached such a point that one dollar in gold would purchase more than the necessary amount of silver for a trade-dollar and pay for its coinage.

Under such conditions dealers in bullion found a profit in putting trade-dollars into circulation at par in the Pacific States, where the cur-

rency was upon a gold basis, but the coin being a legal tender for only \$5, its circulation was necessarily limited in amount as well as restricted in locality.

The people of the Pacific States, however, objected to its use at all for circulation, and the attention of Congress having been called to the matter, on the 8th of May, 1876, Hon. SAMUEL J. RANDALL, of Pennsylvania, introduced into the House a bill the third section of which repealed the legal-tender quality of these coins.

On the 10th of June following, Hon. S. S. COX, of New York, reported the measure to the House, urging its adoption.

No objection was raised, and it became a law July 22, 1876, without modification or an opposing voice or vote in either House, and is as follows:

That the trade-dollar shall not hereafter be a legal tender; and the Secretary of the Treasury is hereby authorized to limit from time to time the coinage thereof to such an amount as he may deem sufficient to meet the export demand for the same.

Mr. President, remember that up to this date the people of the United States east of the Nevada range had taken no interest in the trade-dollar. It was the people of the Pacific States who demanded the coinage of the trade-dollar to enable them to convert their silver bullion into a convenient form for exportation. When a few of these coins were issued and circulated among the people of the Pacific coast they remonstrated against that, and it was upon their remonstrance that a bill was introduced by Mr. RANDALL in the House and finally passed taking away from the trade-dollar all quality whatever as money, leaving it to stand where the law made it, a trade-dollar to be coined for the benefit of the merchants or the owners of bullion and to be transported to China for the Chinese trade.

Up to that time probably no single citizen east of the Nevada range had the slightest interest in or care for the trade-dollar, for the simple reason that up to the time when the legal-tender quality was taken away from it it was worth from 10 to 15 per cent. more than the currency of the United States, and therefore it would not circulate East. What I said at the beginning is absolutely true as a fact, that up to the time of the taking away of the legal-tender quality of the trade-dollar there were none in circulation east of the mountains. All that were circulated east of the mountains and all that were coined after the 22d of July, 1876, were made at a time when the trade-dollars were not received by the Government, were not paid by the Government, and were not practically a legal tender to the extent of a single farthing.

Mr. McPHERSON. Would it interfere with the Senator to answer a question?

Mr. SHERMAN. Oh, no.

Mr. McPHERSON. I do not wish to interfere with the continuity of the Senator's remarks, but there is one question which suggests itself.

Mr. SHERMAN. It does not interfere, except that it tends to the prolongation of the few remarks I proposed to submit.

Mr. McPHERSON. There is one question which suggests itself to me right here. The Senator admits that Congress had passed a law providing for the coinage of the trade-dollars and making them coins of the United States; that from 1873 to 1876 they were coins of the United States and a legal tender. I wish to ask the Senator if he thinks it was honorable on the part of a great Government to take away the legal-

tender quality of the trade-dollars without providing for their retirement, at the time of the passage of the law of 1876.

Mr. SHERMAN. To have talked about the retirement of the trade-dollar at that time would have been simple folly. At the time the legal-tender quality was taken away from it the trade-dollar was worth 13 cents more than any dollar of the money of the United States then in circulation. Perhaps it would have been better if Mr. RANDALL had provided in his measure that the holder of the trade-dollar might convert it into a greenback, but that would have been simply a ludicrous and ridiculous proposition which would have been rejected with scorn, because the trade-dollar was then worth 13 cents more than the paper dollar.

Mr. MCPHERSON. But I submit to the Senator that if the greenback currency or national-bank currency, or any of the paper money of the United States, was worth less than gold at that time, that is no reason at all for the Government commencing the coinage of a monetary metal, and then in the end demonetizing it or robbing it of all its value as a circulating medium.

Mr. SHERMAN. On and after the 22d of July, 1876, it would have been folly to call the trade-dollar money. It was money neither by law nor by custom.

Mr. MCPHERSON. Did the Government continue to coin it?

Mr. SHERMAN. I am afraid I shall never get through if my friend continues to interrupt me.

Mr. MCPHERSON. I wish to make my meaning plain, and I hope the Senator will bear with me. After the passage of the joint resolution of 1876, which only robbed the trade-dollar of its legal-tender value and still left it a coin of the United States, the Senator says it had no value at all, and that people should not have received it. What notice did you give to the people? Take the coin and the law, compare the two things together, and show me how any man in this country would know from either the coin or the law that it was not a legal-tender coin of the United States to the extent of \$5.

Mr. SHERMAN. The Senator propounds quite a number of questions. What notice did we give the people? We gave them the notice of the law. What notice can Congress give to the people except in the law plainly written? Under the law as it stood after the 22d of July, 1876, the trade-dollars ceased to be a legal tender. They were only issued upon the demand of the holders of bullion, who brought their bullion to the mint, and at their cost, for their benefit, without any profit to the Government of the United States, those trade-dollars were issued, under a law which expressly made them the private property of the individual depositor, and under a law too which took away from them the temporary quality they had had of being a legal tender.

Mr. MCPHERSON. As to those issued prior to 1876?

Mr. SHERMAN. As to those issued after that time the law gave notice, and except those which have been brought back from China—there may be a few exceptions here and there—all that were issued after the 22d day of July, 1876, were issued simply upon bullion owned by private parties.

Mr. MCPHERSON. If the Senator will bear with me a moment more, the Director of the Mint in his report in 1879 reports that of the number of trade-dollars issued up to that time, something like fifteen million in amount, about twelve million had been exported, showing plainly and clearly that under that issue three million were in circulation among

the people of the country. The people certainly were deceived as to the three million that had not been exported. As to the twelve million of which the Senator speaks as being designed expressly for export, they were designed no more for export than the three million which remained in the country. What matters it, let me ask the Senator, as to the issue prior to 1876, if every one of them had been exported and returned to the country the next day, or the next week, or the next month, they were coins of the United States of a legal-tender value, and for the Government to repudiate them seems to me to be very strange.

Mr. SHERMAN. The only objection I have to an interruption, because I am a very patient man and I can take it very leisurely and it does not disturb me, is that it tends to prolong the discussion and scatters my argument instead of confining it, as I wish to confine it, to as brief a period as possible.

Mr. McPHERSON. If the Senator will make that thing plain, I shall not interrupt him again.

Mr. SHERMAN. I do not object to the interruption, and I intended to go on and state the points to which the Senator has called my attention.

Mr. McPHERSON. I hope the Senator will make that thing plain. If he will do that, I shall certainly not interrupt him again.

Mr. SHERMAN. I make a marked distinction between the trade-dollars issued before the 22d of July, 1876, and those issued afterward. Before the 22d of July, 1876, they were a nominal legal tender, and the Government had pledged its faith to receive them to the extent of \$5 in a single payment, and that was all; but after that time the Government of the United States did not undertake to do anything with them except to issue them to the holders of bullion who brought their bullion to the mint and to give them back in trade-dollars the identical silver that they brought to the mint, unless they preferred or were in a hurry to get an advance payment, when they would be paid out of the trade-dollars on hand.

The fact must not be forgotten that the Government of the United States never received the trade-dollar into its Treasury; it never paid out a trade-dollar from its Treasury after the act of July 22, 1876; it never put these dollars in circulation except as it coined them for the benefit of the holders of silver bullion. This day any citizen of the United States has a right to go to the mint and have his gold coined and have the identical bullion put into coin without cost and receive it; and also any citizen I believe (it used to be the law and I think it is so yet) may go to the mint and get any coin of the United States in order to preserve it in a collection, merely by paying its actual cost.

I have here a table which is familiar to all Senators of the amount of coinage of the trade-dollar before the legal-tender quality was taken away and afterward. These coins were issued as follows:

During the fiscal year ending June 30—

1874.....	\$3, 588, 900
1875.....	5, 697, 500
1876.....	6, 132, 050
1877.....	9, 162, 900
1878, but prior to October 20, 1877.....	11, 378, 010
Total.....	35, 959, 360

It will be seen by this table that the total amount of trade-dollars issued prior to the passage of the law of July 22, 1876, was a little over 15,000,000, and it can be safely asserted that these, with the exception

of a small number in circulation on the Pacific coast, and a few held as curiosities at a time when coin was not in circulation, had been exported to foreign countries. If they are now in the United States they must have been imported since. A Senator stated that 80,000 trade-dollars, issued while they were a legal tender, were in the hands of a banker in New York. If so he probably imported them since July, 1876. More than 20,000,000 have been coined since, without any pretense whatever that it was a legal-tender coin of the United States for any amount, or that it bore the sanction or credit of the United States, except the guarantee that it contained 420 grains of standard silver, issued under a law which confined it to an amount sufficient to meet the export demand for silver. In this respect it was regarded by the law and the Mint precisely like silver bars, as to which no pretense is made that the United States is bound, except only as to their weight and fineness; but substantially the whole of the trade-dollars now in circulation in the United States are part of the \$20,000,000 issued since the legal-tender quality was taken away from them.

Owing to the appreciation of the paper currency, however, in the fall of 1877, the trade-dollar became of less value than the paper dollar, and in December of that year a large number of them were put into circulation, at their face value, at a profit to the owners of the bullion.

Apprehensive of such misuse of the coins, on the 15th of October in that year the Secretary of the Treasury ordered the discontinuance of their coinage at the mint at Philadelphia, and four days later at the other mints.

Mr. WILLIAMS. What year was that?

Mr. SHERMAN. In October, 1877. At that time they first commenced appearing in our circulation, because under the policy then adopted the notes of the United States were rapidly appreciating in value. The notes soon rose above the market value of the trade-dollars, and a year or more after the legal-tender quality of the trade-dollars had been taken away dealers and people, who could make a little money by getting the trade-dollars or taking bullion to the mint and having it coined into trade-dollars, began to issue the trade-dollars, because they could make a little money by doing it, the paper money of the country having advanced above the market value of the trade-dollar.

Then they commenced circulating in our country. It was for the purpose of profit that the owners of silver bullion then rushed their silver into the mints and had it converted into trade-dollars, and issued those trade-dollars, and the people took them, although there was no law which justified their being passed as current money. They were issued because they were cheaper to the bullion dealer than the paper money of the United States—they could pass them off on a par with the paper money of the United States, and thus make a profit. There was the commencement of this trouble.

Appreciating that, the Secretary of the Treasury in October, 1877, under the law which I have already read, stopped the coinage of them; but in the few months from the 1st of July, 1877, to the 20th of October, 1877, when the then Secretary of the Treasury discontinued the coinage, there had been issued \$11,378,010 in those three or four months, in order to make the difference between the market value of the trade-dollar and the current value of the United States notes. The coinage was then stopped. Since that time no trade-dollars have been issued except occasionally as keepsakes or as curiosities, &c.; for under

the law now anybody can go to the mint and get any of the coins of the United States in that way.

This is the history of the trade-dollar. I must confess my desire to oblige the many people who hold these trade-dollars; I appreciate their feelings; I know they are hearing me now; I sympathize with them in their loss; but I say, in spite of all that, they have no more right to complain of us or to call upon the Government to repair their losses in a failing speculation than they would if they had invested their money in wheat, or corn, or barley, or rice. To all the world except so far as the United States were concerned after the 22d of July, 1876, the silver in the trade-dollars was bullion, and if it fell in market-value it was like other silver bullion mined by the miner, or held by anybody else, and it ought to have been so treated. The Government of the United States had no part or lot in this matter after the 15th of October, 1877.

Sometimes tables are misleading, as was shown in the case of even my friend from Delaware [Mr. BAYARD], who is usually so very accurate in his remarks. In his remarks on this bill I agree, except that he made a mistake in the date; he supposed that this coinage was continued until 1878. It was continued into the fiscal year 1878, because the fiscal year 1878 commenced on the 1st of July, 1877; but the coinage of the trade-dollar was discontinued on the 20th of October, 1877, in Philadelphia, and three or four days afterward in California, as soon as by course of mail the order to discontinue might reach the mint at San Francisco.

In the use of the trade-dollars as money the United States has never had any interest or derived any profit. For the expense of their coinage the owner of the bullion reimbursed the Government, and this ended the connection of the Government with the transaction. At no time and on no account have they ever been received or paid out by the Treasury, and it is a cause of regret that so many of our people should have accepted them at more than their bullion value, thus enabling their owners to put them into circulation at a considerable profit.

The coinage act does not authorize their receipt or payment. The Government has uniformly treated them as bullion put in convenient form for the use of private parties. It has had no agency in their issue except to stamp them of legal weight and fineness. There is no equitable ground upon which the Government could be held to pay them, to redeem them, or to receive them except as four hundred and twenty grains of standard silver. Their market value has been ascertained and stated by the Director of the Mint from time to time. They are purchased at the mint as other silver bullion at current market rates.

This, so far as I am concerned, would end my argument on the silver question, but I know that a great many plausible arguments have been introduced. It is said that the credit of the Government is involved. I am sure if I thought so I would rather spend \$5,000,000 than to vote to tarnish it in the slightest degree. But where is the credit of the Government involved? Where has the Government after the act of July 22, 1876, promised to pay the trade-dollars in anything? Indeed the law was plain and known to everybody. It was published all over the world. These dollars circulated around among the people, although they were tarnished and fell sometimes more or less below the par line. Then they got in large masses into the hands of persons who received them as an inducement for trade, and held them as bullion, believing either that they could be passed off by being exported or that the Government of the United States would redeem them.

Sir, I have myself seen as you have seen published in the newspapers, "trade-dollars received at par." Why was that done? It was because legally they had fallen below par. They were bullion, they were not at par, and as inducement to trade, especially by the butchers, by the grocerymen, and by the various retail dealers of the country, they were invited in as an inducement for trade, and probably a little extra price was put on the article sold. That would be the natural order of things.

Bullion dealers bought them as silver bullion. They were always worth a little more than their weight in other silver, because there was an indefinite idea that the Government would redeem them; but from 1876 to 1882, a period of six years, there was no demand made upon the Government of the United States to redeem the trade-dollars, although during all that time they were more or less falling in value. But when they had become aggregated by the refusal of the banks to receive them and they were then being bought up in masses and held, this demand was made upon us for their redemption.

I do not speak about our being bound to redeem them in clear law, because there is no pretense that there is any legal obligation to redeem them; but if we are bound in honor to redeem them, if we have deceived our people, if we have misled them, or if the Government had ever said anything in the world that would indicate that it was bound to pay the trade-dollars in gold coin or in its equivalent, I should vote to pay them if it took the last dollar in the crib. But there was no such obligation made; it is all inferential. If you choose to pay \$5,000,000 to redeem the trade-dollars, well and good; it will make good some bad bargains of bullion dealers; that is about all there is of it.

There were 35,000,000 trade dollars issued. They are worth now about 85 cents on the dollar, although one very intelligent and able gentleman, whom I respect very highly, tells me he thinks they are not worth that much now in market value. I assume that they are worth about 85 cents on the dollar as bullion. The Government has taken them as bullion. We have bought some of them as bullion, just like any other bullion. Ever since the passage of the law of 1878, in the purchases of silver which have been made in the last six years we have bought more or less of these trade-dollars as bullion. We have fixed their price. The Director of the Mint has from time to time fixed their market value and announced it, and they are taken as bullion.

If the holders of the trade-dollars wish, they can now turn every one of them into the Treasury at the bullion value fixed every month by public advertisement, I may say; that is, at the lowest bid every week for the purchase of bullion to be coined into money. There is no difficulty now in the holder of bullion converting this form of bullion into money, and that will stop the interest. Some of these gentlemen say they have held this bullion so long that they have lost more in interest than the difference between the market value and the nominal value. That is their fault. The Government was willing to buy trade-dollars at the bullion price always. Still I say if there could be shown any moral obligation because of any false inducement made by the Government or even by the officers of the Government, I should not hesitate at all to make good their losses. But there is none, sir.

My desire is, if possible, to avoid any controversy with any holder of anything bearing the impress of the eagle of the United States, but I have come to the conclusion that there is no moral obligation on the part of the United States to buy this bullion at any other price than is paid for that of the miner. Why should we?

It is admitted on all hands that three-fourths, yes, four-fifths (I think the Senator from Kentucky has insisted, and most of those who believe that this measure ought to pass have insisted, that four-fifths) of these trade-dollars are in foreign lands, and yet it is proposed to pay \$1 in gold, I may say, or the equivalent of gold, for 420 grains of silver in the hands of the Chinese and the Japanese and the other foreign nations which hold these coins, and in the hands of our own bullion brokers, while we will only pay \$1 for 485 grains in the hands of the hardy miner who digs this precious metal from the bowels of the earth.

In other words, we discriminate against our own miners, our own citizens, our own workmen, and give a higher price for bullion in the hands of the money-dealers here and in foreign lands. It is true the Senator from Kentucky seeks to obviate that, and to the extent he goes I am willing to vote with him, by providing that wherever the Chinese have stamped the trade-dollar with their own insignia in order to give it additional credit there it shall not be redeemed. Although I do not see any reason in morals why if one ought to be redeemed the other ought not to be redeemed, yet, as I am opposed to the redemption of any, I am inclined to vote for the amendment of the Senator from Kentucky, because that will lessen the number to be redeemed. He seems to think that many of these coins have gone into the melting-pots or have been stamped by Chinese characters, and that where they are so marked we can avoid the redemption of them; but in morals, if we are bound to redeem any one of them, we are bound to redeem them all, those in the hands of the Chinese as well as those in the hands of Americans.

There is another ridiculous feature about this measure. I think my friend from New Jersey was guilty of the solecism of suggesting that we do not propose to pay them in gold, but we propose to pay them in the standard silver dollar of $412\frac{1}{2}$ grains. So say some of these gentlemen, "We will not redeem them in gold, but we will give you another dollar which contains $412\frac{1}{2}$ grains." If that was all the value in the standard dollar of $412\frac{1}{2}$ grains you could not get the Chinaman or anybody else to exchange 420 grains for $412\frac{1}{2}$ grains. Such a bargain as that would all be on one side; it would be laughed at as frivolous and ridiculous. But we know very well that the coin of $412\frac{1}{2}$ grains of standard silver means more than $412\frac{1}{2}$ grains of silver; it means a dollar in gold, unless we intend to go back to the silver standard in this country. Four hundred and twelve and one-half grains of silver are worth about 84 cents in gold. It would be no favor to the holders of the trade-dollar to pay them $412\frac{1}{2}$ grains for 420 grains, but it is because that standard dollar has an artificial value growing out of the fact that we maintain it at par with gold, that we receive it for all purposes, that we practically make it a legal tender, the equivalent of gold; it is because that standard dollar represents not only $412\frac{1}{2}$ grains of silver, but it represents the promise and faith of the United States to make it as good as gold. Then the proposition to convert the 420 grains of silver in one form into $412\frac{1}{2}$ grains in the other becomes a very different proposition. It involves the strange solecism of saying, "Oh, well, we will only give them $412\frac{1}{2}$ for 420," when we give them in addition to the $412\frac{1}{2}$ grains a promise of the United States to make it good, because the $412\frac{1}{2}$ -grain dollar is a legal tender receivable for all public dues.

Mr. President, I would not care so much about this bill, nor would I have detained the Senate to make a speech upon it, if the trade-dollar were all there was in it. If Senators choose to give anywhere ranging

from one and a half million dollars to five million three hundred thousand dollars to the holders of the trade-dollars, well and good; the Government can stand it; it will not break us up.

It is thought, and by my friend from New Jersey especially, that nearly all these dollars are circled around Philadelphia. That is the place of a great many good things, and nearly all the trade-dollars, I believe, now have in the course of commerce probably come within a radius of one hundred and fifty or two hundred miles of Philadelphia and New York, taking them together. They are held there as bullion in large masses, and I have no doubt that Senators representing those communities are very sensitive now about the honor and good faith of the United States, but I think they are far more sensitive to the interests of the constituents they represent. I do not blame them at all. If the Senate chooses under all the circumstances to redeem the trade-dollars, well and good; it is only a matter of dollars and cents.

If the bill stood as the House sent it to us I would not vote for it, but as it is now amended on the motion of the Senator from Iowa [Mr. ALLISON] it contains a proposition of infinitely greater importance than all this dispute about the trade-dollar; that is, it declares that after the 1st of August, 1886, the standard silver dollar shall no longer be coined.

Mr. MITCHELL. Will the Senator allow me to interrupt him before he passes from the consideration of the other question?

Mr. SHERMAN. Certainly.

Mr. MITCHELL. The Senator stated that this coin is largely held in and about Philadelphia, and in that connection he stated that it is held as bullion. Is the Senator not informed of the fact that a very careful inquiry was made in respect to the holding of this coin in Pennsylvania since the subject has been under consideration, and while it was under consideration in the House of Representatives, and that as the result of that inquiry it was found from the returns from bankers and business men and people at large in Pennsylvania that of \$2,500,000 held in that State less than \$100,000 had been taken at less than their face value?

Mr. SHERMAN. I have seen in the Philadelphia papers which have been sent to me that they were taken at par nominally, and some of the largest dealers there advertised that they would take them at paras an inducement to trade. In that way they were taken at par; but the bullion dealers never dealt with them at par. They never bought them at par. The market men and the clothing men and barbers and the liquor-sellers and a great many other classes of people took them as an inducement for business.

Mr. MITCHELL. If the Senator will allow me I will inform him of the fact, at least as I understand it, that before the trade-dollar came into the hands of these dealers so largely, as they may now be in their hands, this inquiry was made by actual communication, by letter, with persons who hold that coin, persons all over the State of Pennsylvania, in almost every county, I think, and that the computation was made from the facts as stated in those letters by a member of the House of Representatives, who himself made the inquiry.

Mr. SHERMAN. Well, I have said all I care to say about the trade-dollar.

All business transactions in the United States, both foreign and domestic, are now based upon the gold dollar, weighing 25.8 grains of standard gold.

The silver dollar, worth in market value .859 in gold, is maintained

at par in gold by a limit to its issue, and its receipt into the Treasury for all debts, public and private. The market value of silver bullion has been slowly and steadily declining since the passage of the act providing for the coinage of the standard dollar. No serious effect has thus far been caused by the widening difference between the two standards of value, but it is manifest that if the result of this difference should lead to the large exportation and hoarding of gold, the sole standard of value would in time be based upon the market value of the silver bullion in the standard dollar. Already the occasional exportation of gold is one of the causes of financial stringency. By a law as immutable as fate, the gold dollar, demonetized, would then be quoted at a premium, and all current business transactions would be based upon a silver standard alone.

What would be the effect of this? The immediate effect would be a contraction of the currency so sharp and abrupt as to extend its shock to every village in the country. Gold is now held here in such vast sums that it might not at once be exported, but it would be hoarded and sold only at a premium, while the volume of silver and paper money redeemable in silver being insufficient to meet the current wants of business would be used for the payment of all labor, but its purchasing power would gradually decline until it reached the level of its market value measured by gold—illustrated by what occurred in 1877-'79. This depreciated currency would then take the place of the hoarded gold and gold certificates, and yet be insufficient for the wants of business.

We would then have a monometallic currency composed of silver alone as the standard of value of United States notes and bank notes, and another standard of value. Gold coin and certificates based upon such coin would be quoted at a premium. The laborer will receive his hire in the depreciated coin. The capitalist would stipulate for gold. All foreign commerce would be based upon gold. The pound sterling would be quoted at \$5.56 instead of \$4.84. All domestic exchanges would vary according to the kind of coin used in payment. In regions where the silver dollar is so greatly favored by popular opinion they would be paid in such dollars and be cheated in the purchasing power of their dollar. The mysteries of exchange which have been the basis of nearly all the financial fallacies of mankind will lead them to sell their productions at gold prices and buy their supplies at silver prices, and the bankers and brokers—the middlemen who can see at a glance the chance of a profit—will make the difference. Then after the injury is done we will have an outcry for the redemption of the standard dollars in gold just as we now have for the redemption of the trade-dollars.

And that cry will be just and right. The standard dollar, unlike the trade-dollar, was issued by the United States to maintain the bimetallic policy, at the profit of the United States as the coequal of gold coin, to be received and paid in all respects and for all purposes like gold coin. If it is issued in excess of the demand, or for any reason falls below its coequal standard, then the United States are bound in honor as well as policy to redeem it or put enough silver in it to make it equal in the market to gold coin. Now the silver dollar represents 85 cents in actual value and 15 cents in faith that the United States will not allow it to fall below the gold coin. If that faith is doubted the silver dollar will decline. If that faith is broken then it will fall to 85 cents, and we will have two metallic standards.

I assume that in any event the Government of the United States

would not willingly debase the standard of value upon which all contracts made since 1837 have been based. This unquestionably has been the gold dollar, the unit of value, which though for a time not in actual circulation, yet has always since been the nominal basis of silver and minor coins, and of all forms of paper money as well as of all contracts between private citizens. To take advantage of the fall in the value of silver bullion and base our contracts upon silver alone would be to reduce the commercial value of our dollar compared with the coin of other nations, derange the purchasing power of all annuities and of all bonds and securities, and enormously contract the currency by converting gold and gold certificates into articles of merchandise instead of active agents in commercial exchanges, and, whether designed or not, to bring dishonor upon the public credit and public securities.

The changing relations between gold and silver have continued for near four hundred years—since the discovery of America. During all that time, with slight pulsations, silver has steadily declined. Nations have many times changed the coinage ratio between the two metals. It is a matter of reproach that despotic governments have taken advantage of this change to reduce the standard of value in order to supply the extravagance of the court and waste of war, but it is hardly to be supposed that the United States, a free Government, founded upon the consent of the people, and desiring only to do equal and exact justice to all, would resort to an expedient so damaging to its own credit and so injurious alike to the laborer and the holder of property.

It is the true interest of all classes and all industries to maintain a circulation of both of the precious metals. The aggregate of both is necessary to form the basis of money, but it must be coined according to their respective market value, as near as may be. The miner sells his bullion according to its market value, and the Government should coin it according to the same value. To purchase it at market value and coin it at a fictitious value, known to be above its real value, with a view to make a profit on coinage, would seem to be bad alike in morals and in public policy. To debase the coinage, or to adopt the cheaper metal merely to make profit to the Treasury, can not be defended. The silver coin, in order to be freely taken, exported, or dealt in, must have the full, equal market value possessed by the gold coin. This alone constitutes bimetallic money. Any departure from this rule fills the market with cheaper money and drives out the better money. It is believed that the demonetization of either of the precious metals would be a wide-reaching calamity, extending to all quarters of the globe.

If there is any pressing question pending in our politics it is this question of making our standards of coin equal to each other according to their market value. This can only be done either—

First, by an international agreement with other nations to maintain a free coinage of silver at a fixed ratio; or

Second, by suspending the coinage of silver until it is demanded by the wants of business; or

Third, by the adoption of an American bimetallic policy of the free coinage of silver and gold according to their market value.

The Committee on Finance does not seem inclined to meet this broad, economic problem, though, in my judgment, it is wise at this moment not only to suspend the coinage of the silver dollar, but boldly to proclaim the purpose of the United States to maintain bimetallic money, even if it stands alone in that position among the nations of the earth.

As the chief producer of both gold and silver we are better able to establish this new policy than any other country. France did it in 1795 and, with the aid of the Latin nations, preserved the equilibrium upon a given ratio of silver and gold for two generations. The same policy adopted now will, I confidently believe, secure steadiness in the relative market value of these two metals for a long period of time.

If any slight change occurs, the metal too highly valued will be retained here and the metal too cheaply valued will be exported. Slight mutations in this exportation between the two metals may from time to time exist with no material injury, but the substantial convertibility of one into the other in all the multiplied business of our country and the uniform steadiness of our paper money based upon both metals, including certificates based upon the deposit of both gold and silver, will secure us a currency of uniform value and steadiness both of coin and paper, greatly superior to that enjoyed by any other nation in the world.

But the policy I have indicated is, perhaps, at this time, in advance of the sentiment of the country and of Congress, and, therefore, I do not seek to press it now, but am content to deal with such propositions as will give us some safeguard against what I regard as the great threatened evil, that of the demonetization or hoarding and exporting of gold.

I do not have much faith, and never had, that we could negotiate for an international ratio, for the first step in such a negotiation with the Latin nations would be to stipulate for the old ratio of $15\frac{1}{2}$ to 1. Without the concurrence of Great Britain such a ratio could not be obtained, and I have no hope of such a concurrence, nor do I believe such a ratio is wise or could long be maintained. What we want now is to give to our own people assurance and confidence that we intend to maintain our silver and gold coins as equal and convertible standard—that a dollar of one shall be equal to a dollar of the other. In the absence of such an assurance, and in view of the enormous accumulations of silver coin in the Treasury and the evident disposition to select silver coin and silver certificates for payment to the Treasury, there is danger that a continued coinage of the silver dollar may precipitate its decline in market value.

To check this tendency the Finance Committee propose by the amendment offered by the Senator from Iowa [Mr. ALLISON] to renew negotiations with the Latin Union and with other foreign powers to secure such co-operation as will enable these nations to open their respective mints to the free coinage of silver at an agreed ratio, and it provides that in case such treaties can not be concluded prior to August 1, 1886, then the coinage of the silver dollar of the United States shall be suspended. This important amendment will, in my judgment, arrest the tendency of the depreciation of the silver dollar by giving assurance that within a limited time the threatened danger will be averted. With this amendment I should vote for the bill, though it involves the payment of the trade-dollar, a measure of preference of one form of silver bullion to which it is not entitled.

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